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DIRECTORATE OF
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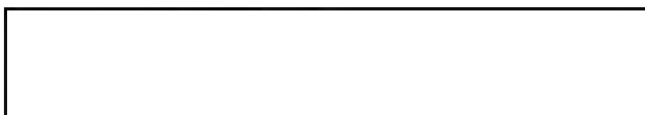
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[South Vietnam: A prominent South Vietnamese political figure reportedly is telling local acquaintances that the US may be forced by domestic opposition to abandon President Thieu and accept a coalition government.

Senator Tran Van Don, who recently returned from a trip to the United States, has stressed his surprise at the extent of antiwar sentiment he encountered. Don claims that unidentified US officials indicated to him that the US would do almost anything, short of surrender, to end the war.

Don, who has been increasingly critical of President Thieu in recent months, is highly ambitious. He has made no secret of his desire to be prime minister in any future government headed by General Duong Van "Big" Minh. He may well believe that he can promote his own political fortunes by raising the spectre of US abandonment of President Thieu.

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Communist military activity on 16-17 October remained light and was characterized by scattered shellings and small unit contacts in widespread sectors of South Vietnam.

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USSR - Arms Control: Moscow apparently has decided against working for early agreement on a sea-beds treaty at the current session of the Geneva Disarmament Committee (CCD).

The chief of the Soviet delegation in Geneva has said that he received instructions from Moscow on 16 October that the US and USSR should merely study the proposed changes of other CCD delegations, but make no response until the end of the current session of the UN General Assembly in December. The US and the USSR, according to Moscow, could then present to the General Assembly a revised treaty which would incorporate only the amendments favored by the two powers, who are also CCD cochairmen. This plan would mark an abrupt shift in tactics for Moscow. Moscow has hitherto believed that discussion of the draft treaty by the General Assembly without the CCD's endorsement could only weaken the document as well as future disarmament efforts of the CCD.

The Soviet delegation in Geneva appeared surprised by Moscow's volte-face, according to a US representative, and one of the Soviets ascribed it to the "traditional ponderousness" of Soviet bureaucracy. More likely, Moscow is satisfied with the draft treaty worked out with the US and has devised a strategy to avoid efforts to change it. If so, Moscow has also decided to risk the ire of various delegations to the CCD who believe that the cochairmen should consider amendments in Geneva before presenting a final draft to the UN.

An attempt to cut off debate in Geneva would be sure to increase irritation with the CCD in New York, where it has been roundly criticized as an ineffective forum dominated by the cochairmen.

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Peru: The government appears to be making a breakthrough in attracting new large-scale foreign investment.

A \$100 million agreement with Bayovar S.A., a subsidiary of Kaiser Aluminum Company, for phosphate mining development has just been approved by the Peruvian Government. In addition, officials of American Smelting and Refining Corporation and Phelps Dodge Corporation, the two principal owners of the Southern Peru Corporation (SPCC), have recently indicated that SPCC will sign an agreement to develop its concessions before the deadline of 31 December. At a minimum, the agreement is likely to call for an investment of \$350 million over the next 5 years, but it could involve as much as \$500 million. Financing such large sums however, could be difficult.

In an effort to speed mining development, the government recently modified mining regulations to require concession holders to enter into investment agreements before the end of this year or lose their concessions. Investments must begin before May 1970, and mineral production is to start within 5 years. The government is pressuring the companies to initiate their investments promptly in order to improve business confidence in Peru and to stimulate economic activity. Officials also believe that the agreements will improve Peru's position in the current foreign debt renegotiations.

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